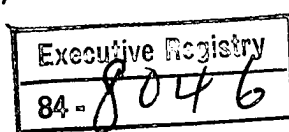




THE SECRETARY OF COMMERCE
Washington, D.C. 20230

20 SEP 1984

August 31, 1984



MEMORANDUM FOR: Bill Casey

FROM: Mac Baldrige *Mac*

SUBJECT: Economic Roundup

Enclosed is the August issue of our Monthly
Economic Roundup.

Enclosure

Not referred to DOC. Waiver applies.

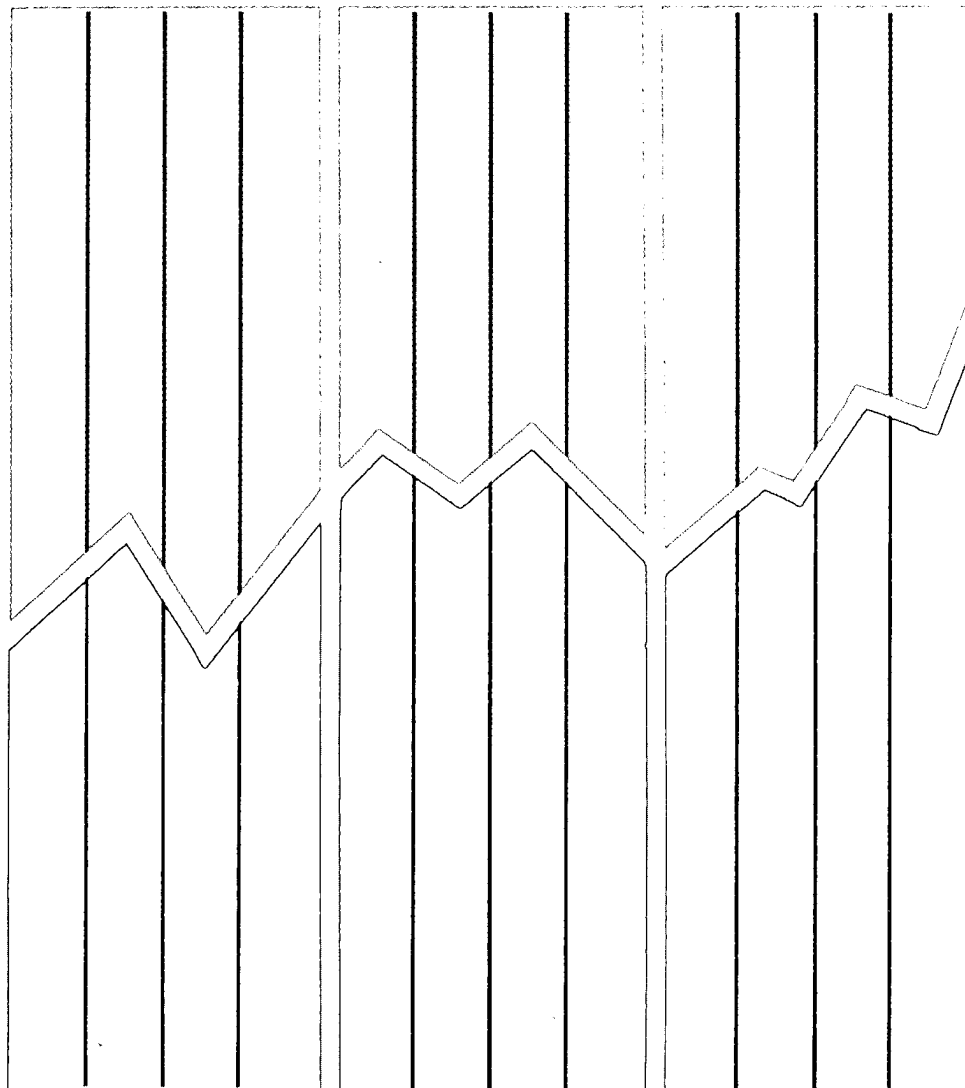
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The Economic Roundup



A MONTHLY REVIEW OF
ECONOMIC DEVELOPMENTS



Office of Economic Affairs
U.S. Department of Commerce

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THE ECONOMIC ROUNDUP

A Monthly Review of Economic Developments

Prepared by

The Office of the Chief Economist

U.S. Department of Commerce

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Secretary of Commerce

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Under Secretary for Economic Affairs

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August 1984

CONTENTS

	<u>Page</u>
SUMMARY.....	1
SLOWDOWN PROJECTED BY ADMINISTRATION AND CBO.....	2
SIGNS OF MODERATING GROWTH.....	4
1. Consumer Spending Slows.....	4
2. Residential Investment Levels Off.....	5
3. Leading Indicators Drop.....	5
INTEREST RATES ARE MIXED--CREDIT SURGES.....	6
WAGE-PRICE INCREASES REMAIN MODERATE.....	7
PROFITS CONTINUE IMPRESSIVE GAINS.....	7
INDUSTRIAL SECTOR AND CAPITAL SPENDING STRONG.....	9
FARM SECTOR ADDS TO GROWTH.....	10
DOLLAR CLOSE TO RECORD HIGH; TRADE DEFICIT WORSENS....	11
TABLE OF ECONOMIC INDICATORS.....	12

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SUMMARY

After a robust 8.8-percent real growth rate during the first half of the year, the Administration and the Congressional Budget Office project a welcome slowdown in the second half to about a 4 1/2-percent rate. A further slowing in growth and only a modest pickup in inflation are projected for 1985.

Some signs of moderation in the economy are evident.

- o Growth in consumer spending has slowed in recent months, partly due to shortages of new cars.
- o Housing starts have declined since early this year, while new single-family home sales and shipments of mobile homes have fallen below recent peaks.
- o The index of leading economic indicators has declined for two consecutive months.

Short-term interest rates remained at high levels in August, while long-term rates continued a decline that began in early July. Credit is still expanding rapidly.

Wage and price increases remain moderate, aided by declines in energy prices, good productivity growth, little increase in unit labor cost, and the effects of a strong dollar.

Strong economic growth has boosted corporate operating profits, and more generous depreciation allowances in recent years have contributed to the strong rise in cash flow.

- o Corporate operating profits rebounded by 92 percent from the fourth quarter of 1982 to the second quarter of 1984, while cash flow increased by 38 percent. These are postwar record gains for any six quarters after a recession.

The industrial sector continues to expand vigorously. Nonresidential fixed investment has reached a new postwar high as a share of real GNP. Net of depreciation, however, the investment share of GNP is still below previous peaks. A rebound in farm output is contributing to economic growth.

The merchandise trade deficit jumped to a new monthly record in July. Strong foreign demand for dollar assets is keeping the trade-weighted dollar near record levels.

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SLOWDOWN PROJECTED BY ADMINISTRATION AND CBO

The Administration and the Congressional Budget Office project slower growth during the remainder of the year, according to their August updates of the economic and budget outlook.

- o Real GNP rose at a revised annual rate of 7.6 percent in the second quarter, slightly more than the preliminary estimate of 7.5 percent. The first quarter's growth rate was 10.1 percent.
- o The Administration now estimates real GNP growth of 6.5 percent over the four quarters of 1984, compared to 5 percent projected in April and 4.5 percent assumed last December. To realize the 6.5-percent gain, a real growth rate of about 4 1/2 percent is required during the second half of 1984--the same as CBO's updated forecast.
- o The Administration retained its previous assumption of 4 percent growth in real GNP over the four quarters of 1985. CBO, however, reduced its estimate of next year's gain to 2.8 percent from 3.7 percent projected last February. (As announced by Fed Chairman Volcker on July 25, the central tendency of forecasts by members of the Federal Open Market Committee for next year's growth is 3 to 3 1/4 percent.)
- o Compared to the Administration's assumptions, CBO projected a slightly larger but still-modest pickup in next year's inflation rate, the same reduction in unemployment, and lower interest rates.
- o With no policy changes, both CBO and the Administration projected next year's deficit in the \$170 billion to \$180 billion range. By FY 1989, however, the Administration projects a deficit \$100 billion smaller than that of the CBO, reflecting assumptions of stronger economic growth and lower interest rates.

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Fourth Quarter To Fourth Quarter (percent change)

	<u>actual</u>	<u>forecast</u>	
	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>Real GNP</u>			
Admin.	6.3	6.5	4.0
CBO	6.3	6.6	2.8

GNP price deflator

Admin.	3.8	4.4	4.7
CBO	3.8	4.1	5.3

CPI, urban wage
and clerical workers

Admin.	2.9	3.8	4.7
CBO	2.9	3.7	5.2

Annual Data (percent)

	<u>actual</u>	<u>forecast</u>	
	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>Unemployment</u>			
total, Admin.	9.5	7.2	6.6
civilian, CBO	9.6	7.3	6.7

3-mo. T-bill rate

Admin.	8.6	9.5	9.3
CBO	8.6	10.0	9.7

Fiscal Years (billions of dollars)

	<u>actual</u>	<u>forecast</u>					
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Federal Unified</u>							
<u>Budget deficit</u>							
Admin.	195	174	172	174	185	176	162
CBO	195	172	178	195	216	238	263

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SIGNS OF MODERATING GROWTH**1. Consumer Spending Slows**

Key factors influencing consumer spending generally remain favorable, with disposable personal income growing at a healthy pace, consumer confidence high, and installment debt still moderate relative to income. But personal consumption expenditures are likely to increase by considerably less this quarter than the 7.5-percent real growth rate of the second quarter.

- o Gains in personal consumption expenditures slowed to 0.4 percent in June and 0.3 percent in July, following strong increases averaging 1.4 percent in April and May.
- o Some of the slowdown reflects declines in new car sales in June and July from the recovery high reached in May. Sales of domestic makes dropped further during the first 20 days of August. The recent weakening in sales partly reflects dealer shortages of new cars, both imports and domestic models.
- o Disposable personal income rose 0.7 percent in June and 0.8 percent in July, continuing its strong pace of the first five months of the year. The personal saving rate was 6.1 percent in July, up from 5.7 percent in the second quarter and equal to the first quarter rate. The saving rate has averaged about 6 percent for the past seven years.
- o Real disposable personal income, up by a striking 7.6 percent from the second quarter of 1983 to the second quarter of 1984, should post another good increase in the third quarter.
- o In July, two major measures of consumer attitudes (based on surveys by the U. of Michigan and the Conference Board) were about where they were in late 1983--at high levels, though somewhat below peaks reached earlier this year.
- o Consumer installment credit outstanding posted its second largest monthly gain in June, following a record rise in May. The willingness of consumers to take on additional debt is a sign of confidence in the economy. As of June, the level of installment debt was 16.8 percent of the annual rate of disposable personal income, halfway between the previous high and the recession low of 1982.

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2. Residential Investment Levels Off

Growth in real residential investment came to a virtual halt in the second quarter, following a 31-percent gain during the previous four quarters. Little change seems likely this quarter. Housing starts, sales of new single-family homes, and shipments of mobile homes are all down from highs earlier this year.

- o Housing starts in July dropped to an annual rate of 1.76 million units, 7 percent below the second quarter's average and 10.5 percent below the first quarter's average. The decline was in single-family starts.
- o Starts of multi-unit homes are benefiting from accelerated depreciation allowances. High mortgage rates may be diverting some housing demand from single-family units to less expensive condominiums and apartments.
- o Manufacturers' shipments of mobile homes in the second quarter were 5 percent below the recovery high reached in the fourth quarter of 1983.
- o Sales of new single-family homes in July were unchanged from June's annual rate of 630,000 units. In the December to March period, sales averaged 708,000 units.

3. Leading Indicators Drop

The composite index of leading indicators declined in July for the second consecutive month, following a record 21 consecutive monthly gains. The recent weakness in the leading index is consistent with expectations of slower economic growth during the second half.

- o The leading index dropped 1.3 percent in June, with 10 of the entire 12 components falling. July's preliminary index declined by 0.8 percent, with 6 of the 10 available components down. Manufacturers' deflated orders for consumer products and industrial materials (one of the 12 components of the leading index, accounting for 43 percent of industrial production) have shown no net gain since January. Stock prices (one of the 12 components of the leading index) rose sharply in August and will contribute positively to the leading index for that month.
- o The percent of purchasing managers reporting an improvement in business conditions slowed further in August. The composite index, based on new orders, production, employment, vendor performance, and inventories, dropped five points in August to 51.5 percent. In April, the index reached a relatively high level of 61.4 percent.

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INTEREST RATES ARE MIXED--CREDIT SURGES

Short-term rates generally edged up further in August and remain well above their May levels. In contrast, most long-term rates have fallen below their May levels. The two major money stock measures are within their target ranges, while broader aggregates have exceeded their upper limits. Credit outstanding has been growing rapidly.

Selected Interest Rates

<u>Monthly</u>	<u>Fed Funds</u>	<u>3-month Comm. Paper</u>	<u>3-month T-bills</u>	<u>20-year Treasuries</u>	<u>BAA Corp Bonds</u>	<u>Conventional Mortgages</u>
May 1984	10.32	10.65	9.83	13.43	14.74	13.94
June 1984	11.06	10.98	9.87	13.54	15.05	14.42
July 1984	11.23	11.19	10.12	13.36	15.15	14.67
<u>Week Ending</u>						
Aug. 3	11.60	11.12	10.42	12.87	14.89	14.68
Aug. 10	11.59	11.14	10.48	12.72	14.65	14.54
Aug. 17	11.66	11.16	10.32	12.75	14.63	14.39
Aug. 24	11.71	11.22	10.42	12.60	14.55	14.36

- o The Federal funds rate has risen significantly since May, reaching a two-year high in August, while rates on commercial paper and Treasury bills have risen less.
- o Long-term rates on Treasury and corporate bonds started to decline early in July and continued to edge down in August. Mortgage rates, which usually react with a lag, began to edge down during the first week of August.
- o Both the narrow money supply, M1, and the broader measure, M2, were comfortably within their target growth ranges during July. The M3 aggregate was slightly above its upper limit, while total domestic nonfinancial debt outstanding, as of June, had risen at an annual rate of about 13 percent from its fourth quarter average--above the Federal Reserve's monitoring range of 8 to 11 percent.
- o Consumer and business short-term borrowing, one of BEA's leading indicators, rose at an annual rate of 21.5 percent in June, following a 24-percent rate of advance in May--the largest jump since 1951.

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WAGE-PRICE INCREASES REMAIN MODERATE

Key monthly wage and price indexes reflect moderate inflation. Food prices, which declined during the second quarter, rose in July at both the producer and retail levels. Energy prices, however, continued to ease in July. Apart from food and energy, prices during the last six months have been increasing at annual rates of 3 percent at the producer level and 4 to 5 percent at retail. The strong dollar and good gains in productivity have helped to hold down inflation.

	6 months ending		3 months ending
	Jan. 1984	July 1984	July 1984
Producer Prices: Finished Goods	2.8%	2.2%	0.8%
Consumer Foods	10.7	1.0	-1.4
Energy Goods	-7.7	-0.7	-1.4
Other Items	2.0	3.1	2.2
Consumer Price Index	4.8	3.4	2.6
Food	6.2	1.3	0.8
Energy	-0.7	-0.2	-3.3
Other Items	5.5	4.7	4.4
Hourly Earnings Index	3.6	3.4	3.0

- o Labor productivity (output per hour of all persons) in the nonfarm business sector rose at an annual rate of 3.9 percent during the first half of 1984, the same rate of gain posted during 1983. With moderate increases in labor compensation per hour, unit labor cost was unchanged during 1983 and rose at an annual rate of only 1.1 percent during the first half of 1984.

PROFITS CONTINUE IMPRESSIVE GAINS

The rapid economic recovery has been accompanied by an impressive post-recession rebound in corporate profits from current production. Gains in profits have slowed in recent quarters but still exceeded growth in nominal GNP or corporate gross product. The rise in corporate cash flow also has slowed but is still relatively large.

- o Corporate profits from current production have risen by an average of 6 percent (not annualized) per quarter during the past three quarters. During the first three quarters of 1983, gains averaged a strong 15 percent per quarter.

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- o The total increase in corporate operating profits from the fourth quarter of 1982 to the second quarter of 1984 was 92 percent--by far a postwar record for any six quarters after a recession. The rebound occurred predominately in profits of domestic nonfinancial corporations, up 126 percent. Net corporate profits from abroad and Federal Reserve profits each rose by 11 percent, while profits of domestic financial corporations climbed 37 percent.
- o Corporate retained cash flow (tax-allowed depreciation plus undistributed profits) rose by over \$100 billion or 38 percent from the fourth quarter of 1982 through the second quarter of 1984--the largest percentage increase in cash flow for any six quarters after a postwar recession.

Corporate Profits and Cash Flow

(percent change, first six quarters after recession)

<u>Business Cycle</u> <u>Trough Quarter</u>	<u>Corporate Profits</u> <u>From Current Production</u>	<u>Corporate</u> <u>Cash Flow</u>
4Q 1949	54.4%	19.6%
2Q 1954	38.9	37.8
2Q 1958	37.6	25.6
1Q 1961	30.4	25.4
4Q 1970	36.6	34.1
1Q 1975	55.7	29.0
4Q 1982	92.2	38.2

Corporate cash flow is benefiting from liberalized depreciation allowances permitted by the Tax Act of 1981. Though legislation enacted in 1982 and 1984 reduced some of the 1981 tax benefits to businesses, corporations continue to depreciate their plant and equipment for tax purposes at a rate in excess of economic (actual) depreciation.

- o In 1980, the year before accelerated cost recovery became effective, corporations underdepreciated their plant and equipment by about \$16 billion, relative to current cost replacement. In this year's second quarter, tax-based depreciation exceeded economic depreciation by \$52 billion.

Corporate Depreciation Allowances

(billions of dollars, annual rate)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984 (2Q)</u>
Tax-Based Depreciation	163.0	195.0	224.9	264.4	295.5
less Capital Consumption					
Adjustment	<u>-16.3</u>	<u>-7.6</u>	<u>3.1</u>	<u>33.2</u>	<u>52.1</u>
equals Economic Depreciation	179.3	202.6	221.8	231.2	243.4

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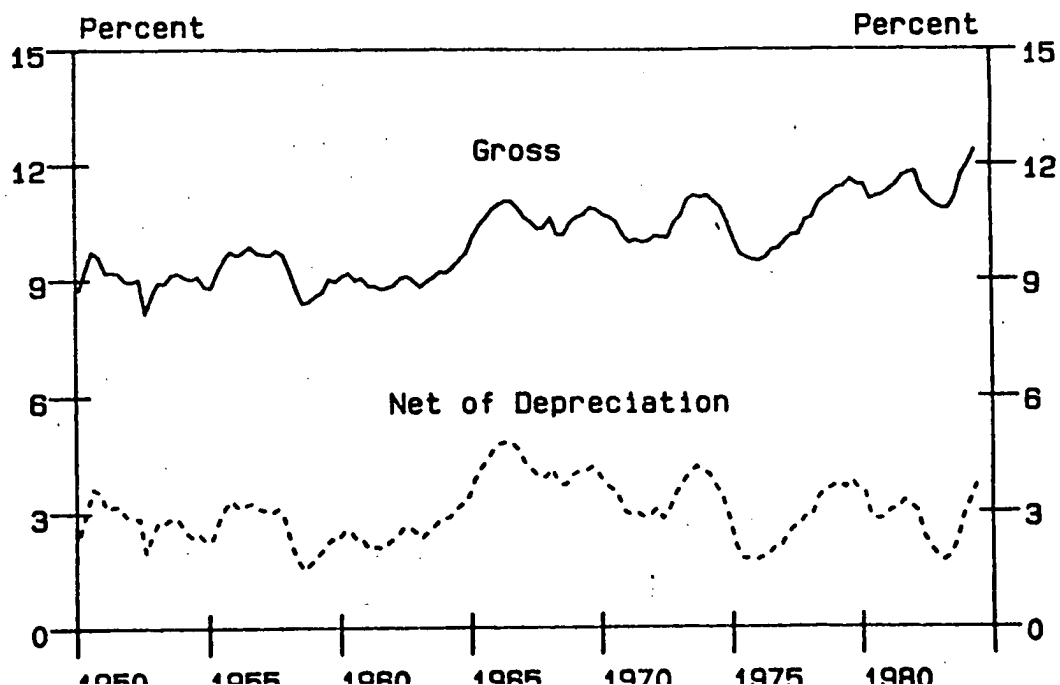
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INDUSTRIAL SECTOR AND CAPITAL SPENDING STRONG

Strong gains in industrial production in recent months boosted the operating rate to 82.5 percent, its 1967-82 average. Capital spending in the second quarter was stronger than previously estimated, and the six-quarter gain since the end of the recession is a postwar recovery record for this sector. As a share of real GNP, business fixed investment is at a postwar high. Net of depreciation, however, the investment share is still below previous highs. Growth in capacity is improving, according to the Federal Reserve's measure, and should continue to pick up as new plant and equipment come on stream during the rest of the year.

- o Industrial production rose 0.9 percent in July and the previously reported gain of 0.5 percent in June was revised to 0.9 percent. Except for a July cutback in utilities output, which rose in June due to heavy electricity demand for air conditioning, increases were widespread once again in major categories of materials and products. Output of business equipment has been exceptionally strong.
- o Real business fixed investment surged at an annual rate of 23 percent in the second quarter, the second strongest quarterly gain in this recovery. The 26-percent rebound since the recession's end is a postwar record for any six quarters after a recession.
- o As a share of real GNP, business fixed investment rose to a postwar high of 12.4 percent in the second quarter from a cyclical low of 10.8 percent at the beginning of 1983. After allowance for rapidly rising economic depreciation, reflecting a shift towards shorter-lived equipment, the net investment share of real GNP is still below the postwar highs set in the late 1960s.

**REAL NONRESIDENTIAL FIXED INVESTMENT AS
PERCENT OF REAL GNP**



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- o The industrial operating rate rose 0.5 percentage point in July to 82.5 percent, about equal to the 1967-82 average of 82.4 percent. Growth in capacity is improving with the investment boom in progress. Manufacturing capacity increased at a 3.0 percent annual rate in the second quarter, up from 2.2 percent in the first and 1.8 percent in the fourth quarter of 1983. As housing and consumer spending slow, growth in industrial output should moderate--slowing the increases in capacity utilization and upward price pressures.

FARM SECTOR ADDS TO GROWTH

The recovery in farm output from the effects of last year's drought and acreage reduction programs has contributed to strong growth in the economy this year. Over the four quarters of 1983, real gross farm product declined by 21 percent--reducing real GNP growth by 0.5 percentage point. During the first two quarters of 1984, real gross farm product rebounded at an annual rate of 43 percent--contributing 0.8 of a percentage point to the 8.8 percent growth rate for real GNP. Assuming continued good weather, agriculture should contribute to third and fourth quarter growth as well.

- o Based on conditions as of August 1, the Department of Agriculture projected large gains in certain major crops, particularly feed grains: corn will be up 84 percent from last year's harvest, soybeans up 30 percent, wheat up 4 percent, and cotton up 62 percent.
- o Prices of corn and soybeans have fallen from last year, while wheat and cotton prices have slipped only marginally.

	<u>Spot Prices</u>		
	<u>Aug. 14, 1984*</u>	<u>year-earlier</u>	<u>percent change</u>
Corn	\$3.16 bu.	\$3.71	-14.8%
Soybeans	6.79 bu.	8.865	-23.4
Wheat	3.765 bu.	3.935	-4.3
Cotton	.6243 lb.	.6350	-1.7

*Tuesday pricing date for Producer Price Index

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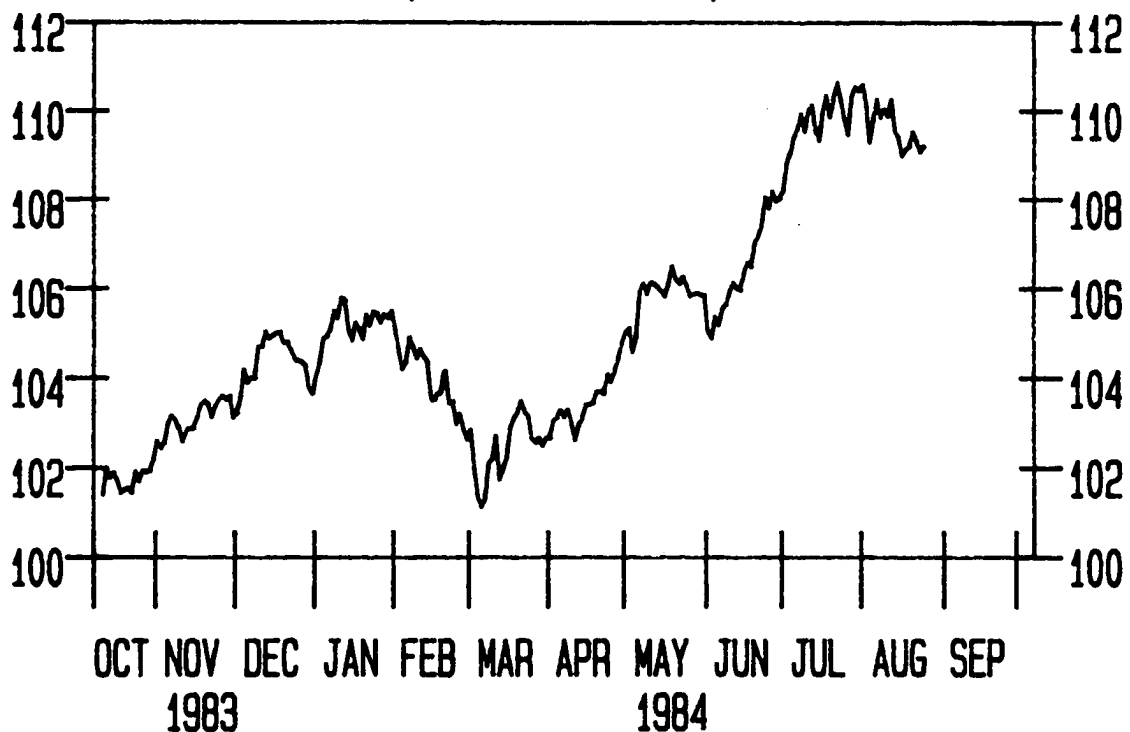
11

DOLLAR CLOSE TO RECORD HIGH; TRADE DEFICIT WORSENS

The merchandise trade deficit continues to mount, as large foreign capital inflows bolster the dollar.

- o On a balance-of-payments basis, the merchandise trade deficit rose slightly in the second quarter to an annual rate of \$105 billion, a record high. Exports were virtually unchanged from the first quarter, while imports edged up 0.7 percent after a 12-percent surge in the first quarter. On a c.i.f. basis, July's trade deficit hit a record \$14.1 billion, exceeding the monthly average for the second quarter by \$4 billion.
- o The dollar remains very strong, reaching a record high in July. As of the week ending August 24, the trade-weighted dollar was down less than 2 percent from its July peak.

U.S. TRADE-WEIGHTED VALUE OF THE DOLLAR
(APRIL 1971 = 100)



- o Foreign net capital inflow, as reflected by the net foreign investment component of the National Income accounts, rose to an annual rate of \$80.6 billion in the second quarter, compared with a \$34-billion net inflow last year. Strong foreign demand for dollar-demoninated assets has helped to mitigate upward pressures on interest rates over the past year or so.

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ECONOMIC INDICATORS

	<u>Jul</u>	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Feb</u>
<u>General Indicators</u> (% change)						
Composite Index of Leading Indicators	-0.8	-1.3	0.3	0.5	0.2	1.6
Composite Index of Coincident Indicators	0.8	0.9	0.8	1.1	0.3	0.7
Composite Index of Lagging Indicators	0.9	0.9	1.6	1.5	1.4	1.6
NAPM Composite Diffusion Index (%)	56.4	58.7	58.7	61.4	58.3	61.5
<u>Employment</u>						
Total Employment (change in 000's)	-345	460	883	269	250	700
Payroll Employment (change in 000's)	302	308	319	391	212	455
Unemployment (change in 000's)	413	-384	-329	71	-29	-225
Unemployment Rate (%)	7.4	7.0	7.4	7.7	7.7	7.7
Initial Claims for Unemployment Insurance (000's)	365	350	348	360	348	345
Factory Workweek (hours)	40.6	40.5	40.6	41.1	40.7	40.9
<u>Production and Orders</u>						
Industrial Production (% change)	0.9	0.9	0.4	0.8	0.5	0.9
Capacity Utilization, Industrial (%)	82.5	82.0	81.5	81.3	80.9	80.7
Auto Production (mil. of units, AR)	7.1	6.9	6.8	7.4	8.6	8.9
Total New Orders (% change)	1.0	-1.6	2.1	-3.4	2.7	1.4
Nondurable Goods (% change)	0.6	0.0	0.0	0.1	2.6	-0.3
Durable Goods (% change)	1.3	-3.0	4.0	-6.5	2.8	2.9
Nondefense Capital Goods (% change)	-3.4	-3.2	11.9	-3.6	-0.6	7.7
<u>Inventories</u>						
Manufacturing and Trade Inventories (% change)		0.0	0.9	1.6	1.1	1.8
Inventory/Sales Ratio		1.32	1.32	1.33	1.33	1.32
Real Retail Inventory/Sales Ratio, Domestic New Cars	1.83	1.96	2.06	2.30	2.46	2.13
<u>Prices and Wages</u>						
Consumer Price Index (% change)	0.3	0.2	0.2	0.5	0.2	0.4
Food (% change)	0.3	0.1	-0.2	0.0	-0.1	0.6
Energy (% change)	-0.3	-0.7	0.2	0.7	-0.2	0.2
All Other Items (% change)	0.4	0.3	0.3	0.5	0.4	0.3
<u>Producer Prices</u>						
Finished Goods (% change)	0.3	0.0	0.0	0.1	0.4	0.4
Intermediate Goods (% change)	-0.2	0.4	0.3	0.0	0.5	0.2
Crude Goods (% change)	0.1	-1.0	-0.9	0.1	1.9	-1.5
Hourly Earnings Index (% change)	0.5	0.4	-0.2	0.5	0.4	0.1
Hourly Earnings Index (12-month % change)	3.5	3.4	3.2	3.7	3.6	3.2

ECONOMIC INDICATORS (cont'd)

	<u>Jul</u>	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Feb</u>
<u>Consumer Spending and Income</u>						
Personal Income (% change)	0.8	0.9	0.3	0.9	0.6	0.9
Wages and Salaries (% change)	0.6	0.8	0.3	1.2	0.5	0.4
Disposable Personal Income (% change)	0.8	0.7	0.2	0.9	0.6	0.9
Real Disposable Personal Income (% change)		0.7	0.2	0.7	0.2	0.6
Saving Rate (%)	6.1	5.6	5.3	6.2	6.8	6.5
Personal Consumption Expenditures (% change)	0.3	0.4	1.2	1.6	0.2	-0.9
Real Personal Consumption Expenditures (% change)		0.3	1.2	1.4	-0.1	-1.2
Retail Sales (% change)	-0.9	0.5	0.7	3.5	-1.5	-1.1
Domestic New Car Sales (mil. of units, AR)	8.3	8.2	8.4	8.1	7.8	8.6
Consumer Installment Credit (change, \$ billions)		7.8	10.2	6.4	5.9	6.6
Consumer Confidence Index (Conf. Board)	91.0	97.1	95.2	97.9	94.5	95.7
Consumer Buying Plans (Conf. Board)	93.1	121.6	105.1	99.4	103.9	108.0
Consumer Sentiment (U. of Mich.)	96.6	95.5	98.1	96.1	101.0	97.4
<u>Construction</u>						
Real Construction Expenditures (% change)		0.8	2.7	-1.8	2.3	6.7
Private Residential (% change)		-1.6	1.1	-5.5	2.0	12.8
Private Non-residential (% change)		2.0	4.5	2.3	1.8	2.3
Public (% change)		3.9	2.6	-1.1	4.1	2.4
New Home Sales (% change)	0.0	2.4	-5.2	-4.8	-4.2	4.6
Housing Starts (000's of units, AR)	1761	1886	1794	2015	1662	2262
Housing Starts (% change)	-6.6	5.1	-11.0	21.2	-26.5	14.2
Housing Permits (% change)	-11.5	1.3	-0.7	1.8	-9.2	5.7
Mortgage Interest Rates, FHLMC (%)	14.67	14.42	13.94	13.65	13.39	13.23
<u>Money and Credit Conditions</u>						
M1 (% change)	-0.1	0.9	1.1	0.1	0.4	0.5
M2 (% change)	0.4	0.6	0.7	0.6	0.3	0.7
Commercial and Industrial Short-Term Credit (% change)	1.5	2.7	2.2	2.9	3.6	1.4
Federal Funds Rate (%)	11.23	11.06	10.32	10.29	9.91	9.59
3-month Treasury Bills, Auction Rate (%)	10.13	9.94	9.90	9.69	9.44	9.03
Bank Prime Rate (%)	13.00	12.60	12.39	11.93	11.21	11.00
Treasury Bond Yields (%)	12.82	13.00	12.89	12.17	11.90	11.44
Corporate Bond Yields, Moody's Baa (%)	15.15	15.05	14.74	14.31	13.99	13.59

ECONOMIC INDICATORS (cont'd)

	<u>Jul</u>	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Feb</u>
<u>Merchandise Trade (Census)</u>						
Exports (\$ bil.)	19.4	17.6	17.9	17.5	17.7	17.2
Imports, c.i.f. (\$ bil.)	33.5	26.5	26.8	29.7	28.0	27.3
Trade Balance, c.i.f. (\$ bil.)	-14.1	-8.9	-8.8	-12.2	-10.3	-10.1

	<u>1984</u>		<u>1983</u>			
	<u>II</u>	<u>I</u>	<u>IV</u>	<u>III</u>	<u>II</u>	<u>I</u>
<u>Current Account Balance (\$ bil.)</u>		-19.4	-17.2	-11.8	-9.6	-2.9
Trade (\$ bil.)	-26.3	-25.6	-19.4	-17.5	-14.9	-9.3
Services (\$ bil.)		8.4	5.3	7.8	7.2	7.9
Direct Investment Income (\$ bil.)		5.7	2.9	4.7	3.6	2.9
Portfolio Income (\$ bil.)		1.9	2.2	2.5	2.4	2.4
Other Services (\$ bil.)		0.8	0.2	0.6	1.2	2.6
Unilateral Transfers (\$ bil.)		-2.2	-3.1	-2.1	-1.8	-1.6
<u>National Accounts (annual rate)</u>						
Nominal GNP (% change)	11.1	14.9	10.6	10.1	12.3	8.5
Real GNP (% change)	7.6	10.1	5.9	6.8	9.4	3.3
Real Consumption (% change)	7.5	4.6	6.8	3.8	10.0	2.6
Real Disposable Income (% change)	6.1	8.6	8.2	7.7	3.4	2.1
Real Nonresidential Fixed Investment (% change)	22.9	20.6	30.6	18.7	9.6	0.2
Real Residential Fixed Investment (% change)	1.7	21.3	4.0	31.6	78.1	64.4
Housing Starts (000's of units,)	1898	1968	1699	1791	1683	1694
Change in Business Inventories (\$72 bil.)	19.7	31.6	7.2	0.9	-6.1	-16.5
Net Exports (\$72 bil.)	-8.9	-8.3	2.0	11.9	13.6	22.9
Real Government Purchases (% change)	19.1	1.0	-4.3	-0.5	-2.6	-8.1
Fixed-weighted Price Index (% change)	4.2	5.0	3.9	4.7	4.1	3.3
<u>Corporate Profits (% change)</u>						
Before-tax (current production)	5.0	6.7	6.1	13.1	20.0	12.3
After-tax (current production)	7.0	5.2	9.6	12.9	18.2	11.5
Before-tax (book)	1.4	7.9	-0.8	14.7	19.8	1.3
After-tax (book)	1.5	6.7	-1.1	15.6	17.6	-4.7

Note: All data except interest rates and Consumer Sentiment are adjusted for seasonal variation.

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